

Message Text

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ACTION NEA-10

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SUBJ: NEW DRUG POLICY

REF: (A) BOMBAY 0811, (B) BOMBAY 0846, (C) BOMBAY 0858,
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1. EMBASSY HAS REPEATED FOR STATE REFTELS A,B AND C AS
PROVIDING FURTHER CONTRIBUTION TO ANALYSIS OF NEW DRUG
POLICY STATEMENT, ESPECIALLY FROM VIEWPOINT OF U.S. DRUG
FIRMS WHICH ARE CENTERED IN BOMBAY.

2. IN RESPONSE TO QUESTION CONTAINED PARA ONE REFTEL D
CONCERNING FOREIGN EQUITY DILUTION REQUIREMENT, EXAMPLE
OF "BALANCE EQUITY" TO BE RESERVED FOR GOVERNMENT FINANCIAL
OR PUBLIC SECTOR INSTITUTIONS WHICH WAS GIVEN BY DEPART-
MENT AND ITS SOLUTION IS ENTIRELY CORRECT.

3. DURING CALL ON DEPUTY SECRETARY G.S. SANDU, MINISTRY
CHEMICALS AND FERTILIZERS, COMMERCIAL COUNSELOR ASKED
WHAT MANNER OF GOI FINANCIAL OR PUBLIC SECTOR INSTITUTIONS
WOULD BE TAKING OVER 66 PERCENT "BALANCE EQUITY". SANDU AT FIRST
REPLIED IN VAGUE MANNER THAT "NO DECISION HAD BEEN TAKEN
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ON MODALITIES". AFTER FURTHER QUESTIONING, HOWEVER, HE
APPEARED TO INDICATE THAT FINANCIAL INSTITUTIONS, RATHER
THAN PUBLIC SECTOR DRUG FIRMS, WOULD TAKE "BALANCE EQUITY".
GOI, HE SAID, REFERRING TO RECENT PRESS CONFERENCE OF
MINISTER BAHUGUNA, DID NOT INTEND TRY TO TAKE OVER MANAGE-
MENT OF FOREIGN DRUG FIRMS. PRIMARY REASON FOR MORE
RIGOROUS EQUITY REGULATIONS ON FOREIGN DRUG FIRMS THAN ON

FOREIGN FIRMS IN OTHER INDUSTRIAL SECTORS AFFECTED BY FERA WAS, HE CLAIMED, IN LINE WITH GREATER GOI CONTROL OVER WHOLE DRUG INDUSTRY, BOTH FOREIGN AND DOMESTIC. WHEN COM COUNSELOR POINTED OUT THAT, HISTORICALLY, CONTROL HAD BEEN DIRECTED TOWARD OTHER ASPECTS OF THE DRUG INDUSTRY THAN EQUITY OWNERSHIP, SANDU CLAIMED THAT RESERVATION OF 66 PERCENT BALANCE EQUITY FOR PUBLIC SECTOR INSTITUTIONS WAS TO PREVENT TAKE-OVER BY INDIAN MONOPOLY AND "BIG" HOUSES. HE DENIED ANY ATTEMPT AT "BACK DOOR" NATIONALIZATION.

4. SANDU WENT ON FURTHER TO CLAIM THAT DRUG INDUSTRY HAD RESPONDED FAIRLY WELL TO NEW DRUG POLICY AND THAT MINISTRY HAD ALREADY RECEIVED SEVERAL APPLICATIONS FOR EXPANSION. (SANDU'S STATEMENT APPEARS TO BE IN LINE WITH PREDICTION CONTAINED PARA 5, REF. B THAT GOI LIKELY INTERPRET INITIAL RUSH OF APPLICATIONS FOR LICENSES TO MANUFACTURE BULK DRUGS AND HIGH TECHNOLOGY ITEMS BY FOREIGN FIRMS AS TACIT ACCEPTANCE OF NEW POLICY.)

5. DURING TALK WITH J.N. CHAUDHRY, RESIDENT REPRESENTATIVE IN DELHI OF ORGANIZATION PHARMACEUTICAL PRODUCERS OF INDIA, COMMERCIAL COUNSELOR RECEIVED PESSIMISTIC REPORT CONCERNING REACTION OF DRUG INDUSTRY TO NEW POLICY, WHICH IN NO WAY COINCIDES WITH SANDU COMMENTS ABOVE. CHAUDHRY SAID THERE WAS GENERAL FEELING OF DISTURBANCE AND DISTRESS THROUGHOUT INDUSTRY IN REACTION TO NEW POLICY. AS OPPOSED LIMITED OFFICIAL USE

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TO SANDU'S CLAIMS THAT NEW POLICY HAS NOW "TAKEN LID OFF" DRUG INDUSTRY AND MUCH NEW INVESTMENT WILL RESULT, CTMUDHRY SAW GENERALLY ADVERSE EFFECTS ON BOTH DOMESTIC AND FOREIGN PRODUCERS AND VERY LITTLE INVESTMENT COMING IN EAR FUTURE. CHAUDHRY SAW STRINGENT AND DISCRIMINATORY EQUITY DILUTION PLAN, DISCRIMINATORY PRICING POLICY (PROVIDING FOR PRICE DECREASES IN SOME CASES BUT NO PRICE INCREASES WHEN WARRANTED BY SAME CRITERIA), AND ONEROUS RESTRICTIONS WITH RESPECT TO REGULARIZATION OF PRODUCTION, AS THE MAIN OBJECTIONABLE POINTS OF NEW POLICY. HE SAID OPPI MEMBERS IN BOMBAY WERE STILL CONSIDERING WHAT THEIR NEXT STOP WOULD BE. OPPI MEMBERS WILL CONCLUDE DISCUSSIONS IN BOMBAY THIS WEEK AND WILL TAKE DECISION WHETHER TO SEEK LEGAL REDRESS THROUGH COURTS BECAUSE OF DISCRIMINATORY ASPECTS OF POLICY OUTLINED ABOVE, OR WHETHER TO TRY TO WORK FOR CHANGE THROUGH MINISTRY.

6. CHAUDHRY'S BRIEF SKETCH OF SITUATION AMONG OPPI MEMBERS IN BOMBAY BROADLY COINCIDES WITH THAT REPORTED BY CONGEN BOMBAY. DIVERGENT REACTIONS TO DRUG POLICY HAVE NOT YET COALESCED AND MEETINGS THIS WEEK WILL GIVE CLEARER IDEA OF SITUATION AND HOW OPPI MEMBERS WILL REACT.

GOHEEN

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